

Lawrence H. Reichman, OSB No. 86083
LReichman@perkinscoie.com
Brent Barton, OSB No. 06269
BBarton@perkinscoie.com
PERKINS COIE LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Telephone: 503.727.2000
Facsimile: 503.727.2222

Attorneys for Plaintiff
Berkeley Law & Technology Group, LLP

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON

BERKELEY LAW & TECHNOLOGY
GROUP, LLP, an Oregon limited liability
partnership,

Plaintiff,

v.

KENNETH J. COOL, a Colorado resident,

Defendant.

No. 3:07-CV-00709-BR

FIRST AMENDED COMPLAINT

(Breach of Contract, Statutory Trade Secret Misappropriation, Intentional Interference with Economic Relations, Breach of Fiduciary Duties, Contractual Indemnification, Declaratory Judgment, Injunction)

JURY TRIAL DEMANDED (ON LEGAL CLAIMS)

COMES NOW, plaintiff Berkeley Law and Technology Group, LLP ("BLTG") to allege this Complaint against defendant Kenneth J. Cool ("Defendant").

PARTIES

1. BLTG is an Oregon limited liability partnership with its principal place of business in Beaverton, Oregon.
2. Upon information and belief, Kenneth J. Cool is an individual residing in Colorado.

1- FIRST AMENDED COMPLAINT

JURISDICTION AND VENUE

3. This Court has diversity jurisdiction under 28 U.S.C. § 1332(a)(1) because there is complete diversity between the parties and the amount in controversy exceeds \$75,000, not including costs and attorney fees.

4. This Court has personal jurisdiction over Defendant because, on information and belief, Defendant has engaged in acts or omissions within this State causing injury, or has otherwise made or established contacts with this State sufficient to permit the exercise of personal jurisdiction.

5. This District is a proper venue pursuant to 28 U.S.C. § 1391(a) because a substantial part of the events or omissions giving rise to BLTG's claims occurred in this District.

FACTUAL ALLEGATIONS

6. BLTG is a law firm specializing in intellectual property with particular emphasis on patent strategy, analysis, preparation, and prosecution. The former Director of Patents at Intel Corporation founded BLTG in 2003, and it has since developed into a premier intellectual property firm that represents clients located around the country before the U.S. Patent and Trademark Office.

7. BLTG has developed highly specialized and proprietary methods and processes in its provision of legal services. These methods and processes, individually and in combination, comprise "trade secrets" under ORS 646.461(4) and confidential and proprietary information. BLTG also owns other trade secrets and confidential and proprietary information including, without limitation, BLTG's contracts and strategies, the identity of BLTG's clients and prospective clients, and financial information regarding BLTG and its clients.

8. BLTG's trade secrets and confidential and proprietary information are not generally known to the public, and BLTG makes reasonable efforts to maintain their secrecy.

2- FIRST AMENDED COMPLAINT

BLTG executes agreements with its independent contractors, including Defendant, prohibiting the use and disclosure of BLTG's trade secrets and confidential and proprietary information for any unauthorized purpose.

9. BLTG has invested substantial time and money in developing and protecting its trade secrets and confidential and proprietary information. BLTG's trade secrets and confidential and proprietary information derive independent economic value from not being generally known to the public or to other persons who can obtain economic value from their disclosure or use.

10. BLTG and Defendant entered into a contract ("Agreement") pursuant to which Defendant provided legal services on behalf of BLTG to its clients. The Agreement covered the period July 1, 2006 through June 30, 2007. Both BLTG and Defendant acknowledged the validity of the Agreement and its offer, acceptance, and consideration.

11. Defendant served as an agent of BLTG, supervising other attorneys and serving on the Firm Management Team, a group of approximately four attorneys who managed BLTG and were privy to all its trade secrets and confidential information.

12. The Agreement establishes Defendant's goal to work at least 1600 billable hours in its twelve-month term. The Agreement grants BLTG the option to seek compensation from Defendant for lost income if Defendant fails to work 1600 billable hours over the twelve months, providing in relevant part:

4.3 . . . Contractor acknowledges a goal of a certain number of hours to be applied by Contractor to client matters over a twelve month duration as set forth in Appendix B[.] [T]he Firm, at its option, may seek reimbursement from the Contractor for the shortfall in total billed hours times the Contractor's nominal billing rate as set forth in Appendix B times one minus the Contractor's nominal percentage rate as set forth in Appendix B.

13. The Agreement prohibits Defendant from appropriating BLTG's client relationships, providing in relevant part:

6.1 . . . Contractor shall not engage any Firm client or any prospective Firm client in any engagement for legal services, whether on behalf of the Firm or otherwise, without the advanced written

approval from the Firm. The Firm has the right in its sole discretion to designate any person or any entity as a prospective Firm client. . .

14. The Agreement also prohibits Defendant from appropriating or otherwise using BLTG's trade secrets or confidential information, providing in relevant part:

10. Trade Secrets

10.1 For the purpose of this Agreement, "trade secrets" shall mean (a) any information that is used in the Firm's business and that derives independent economic value from not being generally known to the public or to persons who can obtain economic value from its development or use, and (b) the Firm's information encompassed in all client files, computer printouts, manuals, plans, proposals, marketing and sales plans, financial information, costs, pricing information, clients lists, and all concepts or ideas on or reasonably related to the business of the Firm that have [not] been publicly released by duly authorized representatives of the Firm.

10.2 Contractor agrees to regard and preserve as confidential information all trade secrets pertaining to the Firm's business that have been or may be obtained by Contractor by reason of his services for the Firm. Contractor further agrees that he or she shall not, without written authorization from the Firm, use for his own benefit or purposes or disclose to others, either during the term of this Agreement or thereafter, any trade secret or other confidential information connected with the business or other development of the Firm. Contractor agrees that he or she will return upon request or termination of this Agreement, whichever is earlier, the Firm's documents, client files, computer printouts, manuals, plans, proposals, reports, studies, client lists, or other documents or things at all related to or connected with the Firm's trade secrets (except Contractor's personal files and form files).

11. Confidentiality

11.1 Contractor acknowledges that during the course of this Agreement, that Contractor may have access to and become acquainted with confidential and/or privileged information, such as information subject to the Attorney-Client privilege or Attorney Work Product privilege, for example. Contractor agrees that Contractor will not disclose any such information, directly or indirectly, or use any such information in any manner, either during the term of this Agreement or at any time thereafter, except as required to perform Contractor's duties under this Agreement or as required by law. All such confidential and/or privileged information in any form including, but not limited to, files, records, documents, information stored on electronic media, letters, notes, notebooks, and any similar items relating to the business of the Firm, whether prepared by Contractor or otherwise coming into Contractor's

possession, shall remain the exclusive property of the Firm and/or Firm clients. Upon expiration, or termination, of this Agreement Contractor shall return all such materials to the Firm, and shall not retain any copies of such materials without prior written consent from the Firm.

15. The Agreement also obligates Defendant to indemnify BLTG for economic loss and expenses resulting from, among other things, Defendant's breach of the Agreement, providing in relevant part:

8.1 To the extent permitted by applicable law, Contractor shall indemnify and hold the Firm, its partners, members, shareholders, employees, groups, affiliates and agents, harmless from and against any and all claims, demands, loss, damage or expense. . . resulting from a breach by Contractor of the provisions of this Agreement.

16. Defendant terminated the Agreement on or about December 15, 2006 and ceased work for BLTG on or about December 29, 2006.

17. Defendant billed approximately 815 hours for the term of the Agreement, leaving a deficit of approximately 785 hours.

18. Upon information and belief, Defendant solicited legal work from and performed legal work for one or more of BLTG's clients.

19. Defendant claims that BLTG owes him monies under the Agreement.

**FIRST CLAIM FOR RELIEF
(BREACH OF CONTRACT)**

20. BLTG realleges and incorporates by reference the allegations contained in paragraphs 1 through 18 above.

21. Defendant has solicited and undertaken work for one or more of BLTG's clients without advance written approval from BLTG in material breach of Section 6 of the Agreement.

22. Defendant actively used BLTG's trade secrets and confidential information for his benefit in material breach of Sections 10 and 11 of the Agreement.

23. Defendant failed to work 1600 billable hours over the term of the Agreement as required by Appendix B, and is required to compensate BLTG for this material breach of Section 4.3 of the Agreement.

24. As a result of Defendant's breach of the Agreement, BLTG has been damaged, including but not limited to, losing work from its clients; losing income; and from the disclosure and misuse of its trade secrets and confidential information.

25. Defendant's breach of the Agreement has damaged BLTG in an amount to be proved at trial and which exceeds \$75,000, not including costs and attorney fees, and is causing BLTG ongoing and irreparable harm necessitating immediate injunctive relief.

SECOND CLAIM FOR RELIEF

(TRADE SECRET MISAPPROPRIATION: ORS 646.461-646.475)

26. BLTG realleges and incorporates by reference the allegations contained in paragraphs 1 through 25 above.

27. Upon information and belief, Defendant has actually misappropriated, threatened to misappropriate, or will inevitably misappropriate BLTG's trade secrets through improper means by disclosing and using the trade secrets without BLTG's express or implied consent.

28. Upon information and belief, as a result of Defendant's actual, threatened, or inevitable misappropriation, BLTG's trade secrets are now being or will be put to the use of Defendant, who has become a direct competitor of BLTG. This misappropriation causes irreparable and incalculable harm to BLTG's goodwill and competitive position.

29. By reason of his actual, threatened, or inevitable misappropriation of BLTG's trade secrets, Defendant has damaged BLTG in an amount to be proved at trial and which exceeds \$75,000, not including costs and attorney fees, and is causing BLTG ongoing and irreparable harm necessitating immediate injunctive relief.

30. These acts of misappropriation were and are both willful and malicious, and BLTG is entitled to statutory punitive damages and its reasonable attorney fees pursuant to ORS 646.465 and 646.467.

THIRD CLAIM FOR RELIEF

(INTENTIONAL INTERFERENCE WITH ECONOMIC RELATIONS)

31. BLTG realleges and incorporates by reference the allegations contained in paragraphs 1 through 30 above.

32. BLTG enjoyed established business relationships with many of its clients, but Defendant has actively interfered with one or more of these established business relationships in violation of the Agreement in an effort to solicit and induce these clients to cease working with BLTG.

33. Defendant's improper conduct as described herein constitutes intentional interference with BLTG's economic relationships with its clients.

34. As a result of Defendant's interference with BLTG's economic relationships with its clients, one or more clients have diminished their relationships with BLTG to begin working with Defendant, who is now a direct competitor with BLTG.

35. In intentionally interfering with BLTG's economic relationships with its clients, Defendant acted for improper purposes and/or with improper means, including breaching the Agreement and misappropriating BLTG's trade secrets and confidential information.

36. As a result of Defendant's intentional and wrongful interference with BLTG's economic relationships with its clients, BLTG has lost valuable economic relationships with one or more clients.

37. Defendant's intentional and wrongful interference with BLTG's economic relationships with its clients has damaged BLTG in an amount to be proved at trial and which exceeds \$75,000, not including costs and attorney fees, and is causing BLTG ongoing and irreparable harm necessitating immediate injunctive relief.

FOURTH CLAIM FOR RELIEF
(BREACH OF FIDUCIARY DUTIES)

38. BLTG realleges and incorporates by reference the allegations contained in paragraphs 1 through 37 above.

39. Defendant was an independent contractor and agent of BLTG, supervising other attorneys and serving on the Firm Management Team. Defendant thus owed BLTG the fiduciary duties of loyalty, care, good faith and fair dealing, and disclosure.

40. Defendant breached one or more of these fiduciary duties by breaching the Agreement, misappropriating BLTG's trade secrets and confidential information, and intentionally interfering with BLTG's economic relations.

41. As a result of this breach, BLTG suffered damages in an amount to be proven at trial and which exceeds \$75,000, not including costs and attorney fees.

FIFTH CLAIM FOR RELIEF
(CONTRACTUAL INDEMNIFICATION)

42. BLTG realleges and incorporates by reference the allegations contained in paragraphs 1 through 41 above.

43. Section 8 of the Agreement obligates Defendant to indemnify BLTG against any and all loss, damages, and expenses related to, among other things, the Defendant's breach of the Agreement.

44. BLTG has suffered loss, damages, and expenses as a result of Defendant's breach of the Agreement by engaging BLTG's clients and misappropriating BLTG's trade secrets and confidential and proprietary information.

45. As a result of Defendant's breach of the Agreement, BLTG suffered damages in an amount to be proven at trial and which exceeds \$75,000, not including costs and attorney fees. The Agreement also requires Defendant to indemnify BLTG for the costs and expenses of this litigation, including but not limited to BLTG's attorney fees.

8- FIRST AMENDED COMPLAINT

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Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Phone: 503.727.2000
Fax: 503.727.2222

SIXTH CLAIM FOR RELIEF
(DECLARATORY JUDGMENT)

46. BLTG realleges and incorporates by reference the allegations contained in paragraphs 1 through 19 above.

47. An actual and present dispute exists between BLTG and Defendant regarding whether BLTG owes Defendant any monies under the Agreement. This dispute requires conclusive judicial determination because BLTG and the Defendant have genuine and opposing interests that are direct and substantial.

48. The uncertainty surrounding this dispute warrants a declaratory judgment that BLTG does not owe the Defendant any monies under the Agreements.

SEVENTH CLAIM FOR RELIEF
(INJUNCTION)

49. BLTG realleges and incorporates by reference the allegations contained in paragraphs 1 through 37 above.

50. Defendant's use of BLTG's trade secrets and confidential and proprietary information is illegal and violates the Agreement.

51. While money damages will partly compensate BLTG for Defendant's past wrongful use of BLTG's trade secrets and confidential and proprietary information, money damages are insufficient to fully compensate BLTG for Defendant's continuing actual, threatened, or inevitable use because the trade secrets and confidential and proprietary information provide economic value by virtue of being secret. BLTG cannot fully enjoy the benefits of its trade secrets and confidential and proprietary information because they are now being or will be used by Defendant, who has become a direct competitor of BLTG. This misappropriation causes irreparable and incalculable harm to BLTG's goodwill and competitive position.

52. Defendant should be permanently enjoined from using BLTG's trade secrets and confidential and proprietary information.

PRAYER FOR RELIEF

WHEREFORE, BLTG prays for relief as follows:

- 1) Damages in amount to be proven at trial, but in no event less than \$75,000;
- 2) A Declaration that BLTG does not owe Defendant any monies;
- 3) Temporary, preliminary, and permanent injunctive relief;
- 4) An award of the attorney's fees, costs, and expenses that BLTG incurs in prosecuting this action as provided by the Agreement and by law;
- 5) Pre- and Post-judgment interest;
- 6) Punitive damages in an amount to be proven at trial, but in no event less than \$1,000,000; and
- 7) Such other relief as the Court deems just and proper.

JURY TRIAL DEMAND

Plaintiff respectfully demands a trial by jury on all claims and issues so triable.

DATED: May 23, 2007.

PERKINS COIE LLP

By: s/ Lawrence H. Reichman
Lawrence H. Reichman, OSB No. 86083
LReichman@perkinscoie.com
Brent Barton, OSB No. 06269
BBarton@perkinscoie.com
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Telephone: 503.727.2000
Facsimile: 503.727.2222

Attorneys for Plaintiff
Berkeley Law & Technology Group, LLP

10- FIRST AMENDED COMPLAINT

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